

## Monthly Report October 2010

Global Equity markets continued to trade with caution in October as Ireland struggled to convince market investors that it could survive without external help. As recent events have shown, the apparent confidence of Irish politicians has proved to be unfounded.

Over recent weeks, the market has eroded most of the gains seen in a small rally which began at the end of August.

This recent pattern of a short rally, followed by a period of selling, has repeated the market action of the last twelve months, a nervous two-way pull in market prices- with little net outcome.

The main combined European and UK Index is the same level now as it was a year ago – and also at the same level as it was in early November of 2008, just after the bankruptcy of Lehman Brothers.

Through this two-year period, a series of further credit-related crises have played out, last November it was Dubai that had to be bailed out by Abu Dhabi. Now, it is Ireland's turn to need help, but the Irish democracy is rather noisier and more open than life in the United Arab Emirates.

However, in spite of this market volatility, there are significant investment opportunities in many markets of the EMEA region, where Kudu invests. In South Africa, the Gulf, Turkey, and Russia, valuations have been depressed in line with global sentiment, but many individual businesses are trading well and growing profits.

These conditions offer the potential for strong medium-term stock market returns, when the US economy improves enough to provide a wider backdrop of stability and confidence to global Capital markets. But in the meantime, markets continue to move sideways with considerable volatility.

The fund's knowledge and experience of local investment opportunities has preserved capital and delivered strong performance in these difficult conditions.

We continue to identify sectors which have a clear business advantage and resilient demand. Some of the best opportunities lie in traditionally defensive business sectors - Telecoms, Food Supermarkets, Generic Pharmaceuticals, and Food manufacturers, which all provide robust earnings and reliable

dividend yield - at a time of sub-Inflation Government Bond Yields.

One company which has performed well is Aspen Pharmacare, a South African maker of Generic pharmaceutical drugs. Aspen has grown consistently over the last ten years, using its domestic market to build scale in niche drugs – in particular the HIV sector – and then finding new export markets in the richer emerging world.

As Aspen has grown in size, it has benefited from economies of scale in production and marketing. Looking ahead, Aspen may either continue to grow by a combination of organic sales growth and acquisitions of smaller players in the emerging world, or be acquired by a large global Pharmaceutical company looking for access to faster-growing developing markets.

Looking ahead, the fund continues to rigorously control portfolio exposure, and identify strong, long-term investment opportunities.

■ **George Case**

## TOP 5 LONG POSITIONS ATTRIBUTION %

AKBANK	2.11%
OPAP	2.11%
CHARLEMAGNE CAPITAL	1.75%
KUZBASSRAZREZUGOL	1.07%
SIBERSKY CEMENT	0.00%

## TOP 5 CONTRIBUTORS YTD ATTRIBUTION %

RASPADSKAYA	0.43%
IMMOEAST	0.28%
COMMERCIAL INTERNATIONAL BANK	0.23%
CHARLEMAGNE CAPITAL	0.22%
WOOLWORTHS HOLDINGS	0.17%

## TOP 5 CONTRIBUTORS MTD ATTRIBUTION %

YAPI KREDI BANKASI	0.13%
URALKALI	0.11%
OPAP	0.06%
FIRST GULF BANK	0.04%
T M G HOLDING	0.04%

## FUND INFORMATION

CLASS A

ISIN

€ BMG532541270

£ BMG532541197

\$ BMG532541015

SEDOL

£ B1W7LS0

\$ B1W7LR9

BLOOMBERG

£ CLACTAS BH

\$ CLACTAD BH

Domicile: Bermuda

Listing: Irish Stock Exchange

Start Date: Jun-01

Administrator: Citi Hedge Fund Services

Mark Jennings +353 1622 8445

Auditors: Ernst and Young

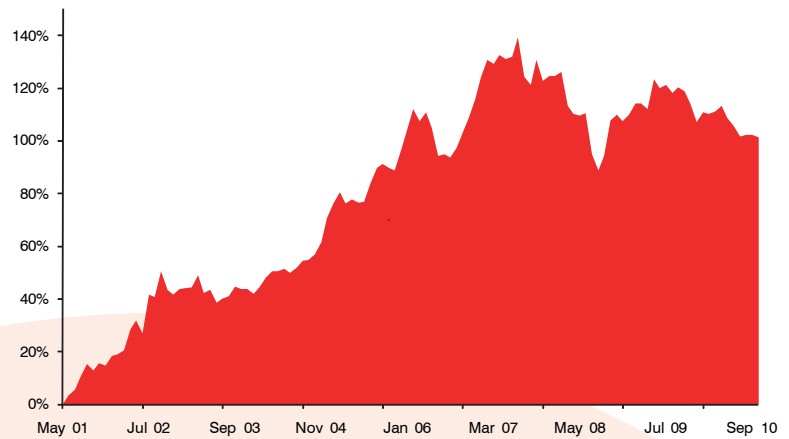
Management Company: Kudu Emerging Markets

Limited Subscriptions: Up to last business day of month



NAV per redeemable share: Class A: £70.38 Class B: \$152.97 £153.65 €145.87				
Performance	On Month	YTD	Rolling 12 months	Since Launch
Class B€:	0.63%	-4.90%	-8.53%	65.46%

## Kudu % Relative Return to Euro Stoxx 50 Index



Kudu Emerging Markets Limited is the London based investment advisor to The Kudu Fund, an emerging market absolute return fund. The primary objective of the fund is to achieve long term capital growth by investing in poorly understood markets with high levels of mispricing.

The Kudu Fund takes a fundamental approach to investing and looks to capitalise on valuation discrepancies and developing themes across the regions of Africa, the Middle East, southern and eastern Europe as well as western companies with emerging market exposure.

The Kudu Fund is invested in equities, both long and short, and generally invests with a time horizon of 3–18 months.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2001						-1.0	-1.3	-3.0	-5.4	2.0	7.4	2.4	0.6
2002	0.6	-0.5	5.3	2.9	0.0	-10.5	4.8	-0.5	-1.5	0.0	1.4	-4.0	-3.5
2003	-2.9	-2.3	2.6	-0.3	1.5	-3.0	3.9	1.7	0.3	3.1	1.2	1.1	6.9
2004	3.9	4.7	-0.1	0.1	-0.1	0.1	-0.2	1.4	1.4	3.5	5.1	8.6	31.8
2005	4.6	4.1	-2.9	-1.0	1.5	1.8	7.1	2.6	3.2	-2.4	1.3	6.3	29.1
2006	6.0	5.0	-1.4	1.5	-5.3	-5.5	0.8	0.8	3.3	4.5	2.6	5.0	17.7
2007	4.6	2.0	0.2	3.7	0.5	0.3	1.5	-6.6	-0.5	5.4	-4.2	0.8	7.3
2008	-6.2	0.1	-7.3	0.8	-0.9	-4.4	-8.2	-3.6	-1.2	2.1	-0.9	-1.2	-27.3
2009	-1.5	-0.9	1.3	2.9	7.9	-2.5	3.7	0.1	2.4	-2.4	-2.0	-1.9	6.9
2010	-0.2	-1.0	3.2	-0.2	-5.3	-2.4	0.0	-1.4	1.9	0.6			-4.9

Total Return [€]  
Numbers net of fees [€ class]

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